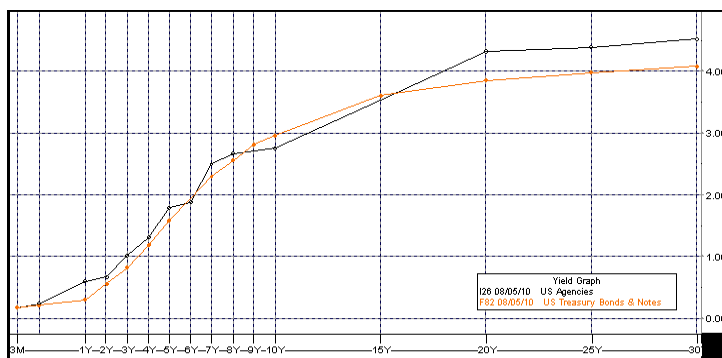


## U.S. Economy Slows to a 2.4% Pace in 2<sup>nd</sup> Quarter

Based on the advance estimate in real gross domestic product (GDP), the U.S. economy expanded at a 2.4 percent annualized pace during the second quarter compared to a revised 3.7 percent during the first quarter. The slowdown in growth during the second quarter can be attributed to a larger trade deficit and easing consumer spending. On a year-over-year (YOY) basis, the economy grew 3.2 percent, the strongest results for the economy over a 12-month period since March 2005. The economy is expected to continue growing at a relatively slow pace in the coming quarters due to a high unemployment rate of approximately 10 percent.

## Yield Curves (Agency vs. Treasury)



Source: Bloomberg

## Our Methodology

The U. S. economy has lost some of the momentum that was present in the first quarter of this year as unemployment near 10 percent has dampened consumer spending. Inflation continues to remain at very low levels allowing the Federal Reserve the flexibility to keep interest rates low. The Federal Reserve met on August 10, 2010 and once again decided to maintain the fed funds target rate between zero and 0.25 percent. The Federal Reserve also decided to reinvest the maturities and coupon payments currently being received on its expanded portfolio in an effort to keep the economy on the desired path to recovery. Fed funds futures reflect investor opinion that the Federal Reserve will maintain the current target rate until at least the second half of 2011. We continue to keep our weighted average maturity (WAM) at the upper end of the allowable range by adding positions to the portfolio to take advantage of the positive sloped yield curve. As always, the top priorities of TrustIndiana remain the safety of the public's funds, the maintenance of sufficient liquidity and the offering of a competitive yield.

## Selected Current Economic Data

DATA	PERIOD	
GDP QoQ	Q2 '10	2.4%
GDP YoY	Q2 '10	3.2%
PPI YoY	Jun '10	2.8%
CPI YoY	Jun '10	1.1%
Jobless Rate	Jul '10	9.5%
Fed Funds Target	Jun 23 '10	0 - 0.25%

Source: Bloomberg

## Treasury Yields

TERM	08/05/10	07/29/10	CHANGE
3-Month	0.15%	0.15%	0.00%
6-Month	0.19%	0.20%	-0.01%
1-Year	0.26%	0.28%	-0.02%

Source: Bloomberg

## Agency Yields

TERM	08/05/10	07/29/10	CHANGE
3-Month	0.17%	0.18%	-0.01%
6-Month	0.21%	0.24%	-0.03%
1-Year	0.39%	0.44%	-0.05%

Source: Bloomberg

## Commercial Paper Yields (A-1/P-1 Dealers)

TERM	08/05/10	07/29/10	CHANGE
1-Month	0.32%	0.43%	-0.11%
3-Month	0.50%	0.51%	-0.01%
6-Month	0.71%	0.67%	0.04%
9-Month	0.88%	0.74%	0.14%

Source: Bloomberg

The opinions expressed are those of the TrustIndiana Administrator and are subject to change without notice.